



GENEDGE ALLIANCE

INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JUNE 2019

Auditor of Public Accounts
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October 28, 2019

Bill Donohue, President/Executive Director
GENEDGE Alliance
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INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire, completed on June 20, 2019, for GENEDGE Alliance (GENEDGE). The purpose of this review was to evaluate if the entity has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of GENEDGE is responsible for establishing and maintaining an effective control environment.

The Auditor of Public Accounts has developed a new process for auditing entities that are not required to have an audit every year, which we refer to as "cycled agencies." Traditionally, we audit these entities at least once every three years. We now employ a risk-based approach to auditing the cycled agencies. Under this approach, annually we will perform a risk analysis for all of the cycled agencies considering certain criteria and divide the entities into two pools. One pool will receive an annual audit and the other pool will be subject to review in a special project focused on one area of significance as well as a review of internal controls in the form of a questionnaire. Our intent is that all cycled agencies will complete an internal control questionnaire at least once every three years. This letter is to communicate the results of the Internal Control Questionnaire review.

Review Process

During the review, the entity completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review management's responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The "Review Procedures" section below details the procedures performed for GENEDGE. The results of this review will be included within our risk analysis process for the upcoming year in determining which entities we will audit.

Review Procedures

Due to the implementation of the new statewide accounting system, we reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at each entity. At some entities only inquiry was necessary; while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. All available ARMICS documentation was reviewed for GENEDGE. Further, we evaluated the entity's process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll processing, grants management, contract management, and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management's risk assessment process.

As a result of these procedures, we noted areas that require management's attention. These areas are detailed in the "Review Results" section below.

Review Results

We noted the following areas requiring management's attention resulting from our review:

- The current services agreement between GENEDGE and Patrick Henry Community College (Patrick Henry) does not outline the specific requirements for each party for several fiscal and administrative functions, including payroll processing. Management should work with Patrick Henry to develop a detailed, written agreement that outlines the specific expectations and

responsibilities to be performed by each party for services provided by Patrick Henry. Once finalized, management should ensure GENEDGE has sufficient policies and procedures over areas that are GENEDGE's responsibility.

- GENEDGE is not in compliance with the Department of Accounts' ARMICS requirements. GENEDGE has not updated its agency-level risk assessment or performed any transaction-level testing in several years. Each of these items is required by Commonwealth Accounting Policies and Procedures Manual Topic 10305, which outlines the requirements of the ARMICS program. Management should ensure that all ARMICS requirements are met prior to certifying ARMICS results to Department of Accounts annually.
- GENEDGE does not maintain documentation of its reviews of user access and audit logs to its systems. Management should ensure evidence of these reviews are maintained in order to properly support completion of these reviews.

We discussed these matters with management on October 28, 2019. Management's response to the findings identified in our review is included in the section titled "Management's Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Auditor of Public Accounts

JDE/vks

October 30, 2019

Ms. Martha S. Mavredes, CPA
Auditor of Public Accounts
Commonwealth of Virginia
James Monroe Building
101 North 14th Street 8th Floor
Richmond, VA 23219

Dear Ms. Mavredes,

RE: 2019 INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

Virginia's Philpott Manufacturing Extension Partnership, dba GENEDGE Alliance, an entity of the Commonwealth of VA, appreciates the services performed this year by the APA team. We found the APA process of auditing GENEDGE operations based on the GENEDGE prepared Internal Control Questionnaire responses to be very well executed and insightful. The APA team has provided three recommendations as a result of the review which GENEDGE Management concurs with. The areas which require management attention, and our intended actions on each finding are as follows:

- 1) Regarding the fiscal agent service level agreement with Patrick Henry Community College, GENEDGE will work with PHCC to define the areas of responsibility for both parties where lacking in the current agreement. It should be noted that the new services agreement will also stipulate those services that will be performed by the VCCS Shared Services Center (SSC) on behalf of PHCC for GENEDGE. For instance, Payroll processing services formally transitioned to the SSC this fall. Where necessary, policies and / or procedures will be created and utilized by GENEDGE.
- 2) The Management of GENEDGE was not aware of the ARMICS requirements, nor that they applied to us, prior to the CFO and I getting a notice of a training requirement in the late spring of this year. The Management team found out after taking the required training that a previous CFO conducted an ARMICS assessment in 2007. GENEDGE performs a risk analysis annually for GENEDGE, documents it in the Operations Plan, and receives approval from the Board of Trustees regarding the mitigation plan. Having reviewed the materials for dissemination and use on the Virginia DOA website, GENEDGE appreciates the value that the comprehensive process provides, will complete a GENEDGE risk analysis using the DOA guidance and will execute the appropriate testing prior to completing our FY 2020 ARMICS certifications.
- 3) GENEDGE is completing the implementation of a DoD DFARS required formal cyber security risk management system, aligned with NIST SP 800.171, this fiscal year. A consultant was hired to assist in the effort this fall, to help address some unforeseen technical challenges. This system will provide the foundation for compliance to ensure reviews of user access, audit logs documentation and maintenance for all GENEDGE systems is implemented and well managed.

Sincerely,



Bill Donohue,
President, Executive Director, GENEDGE
cc: Josh Dawson, CFO



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